



CALPINE

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July 17, 2003

California Energy Commission
Re: Docket No. 03-RPS-1078
Docket Unit, MS-4
1516 Ninth Street
Sacramento, CA 95814-5504

Regarding: Calpine Corporation's comments on the Renewable Portfolio Standard –
Renewables Committee Decision on Phase II Implementation Issues –
Draft Report, June 2003

Dear Energy Commission:

Calpine appreciates the opportunity to submit the following comments to the Renewables Committee draft decision. These written comments follow the oral comments that we made before the committee at the July 14, 2003 hearing.

We support the conclusions arrived at in the draft decision, and our comments seek to clarify aspects of the decision. Our comments are directed to the part of the decision that addresses the definition of Repowered.

Replacement of Prime Generating Equipment

In the second sentence of the first paragraph on page 11, the Committee recommends that for a facility to be considered "repowered", its prime generating equipment must be replaced with new prime generating equipment that has not been used before. We request that the sentence be reworded to encompass: *new or refurbished equipment that substantially enhances the facility's performance through either increased output, greater fuel efficiency, or improved environmental characteristics.*

We further request that at the end of the same paragraph a second example be added, as follows:

Another example of a repowered facility is a geothermal power plant in which the turbine has been retrofitted with a more efficient steam path.

Our reasoning is that the definition should be sufficiently flexible to allow for repowering that yields the best economic and technical results. It makes no sense to require that a turbine casing or electric generator be replaced if it is perfectly good and is not integral to the repower.

Use of Tax Records

We agree with the decision to use a facility's tax basis as the value in determining the 80% threshold. However, many existing renewable projects have been financed using a sale/leaseback type structure. The Committee should recognize that the original facility may be owned by one entity, the lessor, and the investment in the retrofit may be for the account of a second entity, the lessee or operator. Furthermore, the tax records of the lessor may not be readily accessible.

Our suggestion is that the Committee address sale/leaseback situations in this decision by including a new paragraph after the first paragraph on page 12, as follows:

For projects that are financed using sale/leaseback or similar structures, the tax basis in the facility of both the lessor and lessee would be used in the determination, as appropriate. To the extent that a proponent is unable to obtain tax records from a lessor or similar financing entity, the tax basis could be calculated by applying the appropriate depreciation schedule to the facility's value from the financing documents or similar records.

Repowering a Facility in Stages

We support the suggestion in the last sentence of the second paragraph on page 12 that it could be desirable to establish guidelines for facilities to be repowered in stages. In the spirit of that suggestion, we request that the Committee allow for additional investments in facilities that were recently repowered. This would allow a repowered facility that has not met the 80% threshold to have its investment in the repower increased so that it could qualify.

Thank you for considering our comments. Please contact me if you have any questions regarding these issues.

Sincerely,

Jack Pigott
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